GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:4564
ANSWERED ON:25.04.2005
NEW PRICING SCHEME FOR UREA PRODUCING UNITS
Boianapalli Shri Vinod Kumar

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) the details of New Pricing Scheme (NPS) for urea producing units;

(b) whether the Government had conducted any performance appraisal of the NPS;

(c) if so, the details and outcome thereof;

(d) the reaction of the Government thereto; and

(e) the manner in which NPS is likely to be different from the earlier Retention Price-cum-Subsidy (RPS) scheme?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) to (e): The New Pricing Scheme (NPS) for urea units has come into existence w.e.f 1.4.2003 replacing the erstwhile Retention Price Scheme (RPS) and is being implemented in stages. Stage-I was of one year duration, from 1.4.2003 to 31.3.2004. Stage-II has commenced from 1.4.2004 and would be of two years duration from, 1.4.2004 to 31.3.2006. Under NPS, existing urea units have been divided into six groups based on vintage and feedstock viz., pre-1992 gas based units, post-1992 gas based units, pre-1992 naphtha based units, post- 1992 naphtha based units, fuel oil/low sulphur heavy stock (FO/LSHS) based units and mixed energy based units. Effective from Stage-II commencing from 1.4.2004, pre-set energy norms for urea units and reduction in rates of concession on account of reduction in capital related charges have been notified and made effective.

The modalities of Stage-III would be decided by the Department of Fertilizers after review of the implementation of Stage-I and Stage-II. A Working Group has been constituted under the chairmanship of Dr. Y.K. Alagh to review the effectiveness of Stage-I & II of NPS for urea units and to formulate a policy for urea units for Stage-III commencing from 1.4.2006.

The NPS, which is a group based scheme, as compared to unit specific RPS, aims at greater transparency, uniformity and efficiency in subsidy disbursements to urea units and at inducing the urea manufacturing units to take cost reduction measures and be competitive.